

# **U.S. TRADE POLICY IN SOUTHEAST EUROPE**

Remarks of Ambassador Susan Esserman

Deputy U.S. Trade Representative

to the Southeast Europe and the WTO Conference

Budapest, Hungary

April 5, 2000

[1800 Words – Approximately 17 Min.]

Minister Martonyi, Deputy Director Andy Stoler, Ministers, Distinguished guests:

Let me tell you how happy I am to be here. Let me thank the Minister, and the Hungarian government for their leadership, generosity and hard work in all facets of the Stability Pact, and in planning this meeting. Again, thank you all very much for coming here for this important conference. I am also pleased that we are joined by Andy Stoler, who is the Deputy Director General of the WTO.

We are here today in pursuit of a noble goal. As President Clinton said in Nevski Square last November:

“The Cold War was fought and won by free people who did not accept that there could be two Europes in the twentieth century.

Now we must not, and will not accept that there can be two Europes, separate and unequal in the 21<sup>st</sup> century.”

Hungary’s experience, as one of the first Central European countries to begin the process of democratization and reform -- and now as one of the new members of the NATO and as a leader in the WTO -- is testimony to the fact that this promise will be kept. In this process, trade and the WTO have a central role; and that is why we have come to Budapest for this conference today.

## **TRADE AS A SUPPORT TO PEACE**

I’d like to begin with a very broad perspective. Our modern trade policy rests on a commitment to open markets under the rule of law: most immediately as a way to create growth and rising living standards, but more fundamentally as a support to peace. This policy dates back in the United States to the Administration of President Franklin Roosevelt, who drew upon lessons from the Great Depression and the Second World War.

I'd like to quote from one of his wartime Fireside Chats:

“A basic essential to peace, permanent peace, is a decent standard of living for all individual men and women and children in all nations. Freedom from fear is eternally linked with freedom from want. [And] it has been shown time and time again that if the standard of living in any country goes up, so does its purchasing power -- and that such a rise encourages a better standard of living in neighboring countries with whom it trades.”

These are insights that we, and our partners in Europe, have acted upon for a half a century, in the development of our transatlantic relationship and in the World Trade Organization. The results of our policies have borne out the hopes of President Roosevelt and our postwar leaders: for more than fifty years, in Western Europe, peace, rising living standards and shared values have grown and strengthened. And there is no reason to believe the same cannot happen in Southeast Europe as well.

#### TRADE AS AN ELEMENT OF THE STABILITY PACT

That of course is the conviction at the heart of the Stability Pact we have developed together. Under its principles, the participating governments from Southeast Europe will promote economic reform; and for our part, the United States and other members of the Pact will provide assistance as reform proceeds.

As the implementation of the pact moves forward, we will speed political stabilization, economic development and democratization for the region; and we will accelerate its integration into an undivided Europe and the transatlantic community.

Trade is an integral part of this program. Last July at the Sarajevo Summit, President Clinton launched the Southeast Europe Trade Expansion Initiative, under which we and the European Union have agreed to open our markets still further to the exports of Southeast Europe; and to provide increased assistance to the region's membership and full participation in the World Trade Organization.

This process is now well underway, with the submission to our Congress of the Southeast Europe Trade Preference Act. We are very much hoping that this legislation will be passed this year.

#### U.S.-SOUTHEAST EUROPE TRADE RELATIONS

Trade between the United States and Southeast Europe is growing, and the region is participating more fully than ever before in the trading system.

To look at some specifics, since 1995 our imports from many of the countries represented here today have increased. Let me give you a few examples:

- Our imports from Romania have grown from \$249 to \$434 million;
- Our imports from Macedonia are up from \$90 to \$135 million;
- Our imports from Moldova have grown most rapidly of all, rising from a tiny amount of \$3 million in 1994 to \$89 million in 1999.
- And of special importance, our imports from Bosnia and Herzegovina are up from \$3 to \$15 million this year. To put this in real-life terms, this means that 100,000 pieces of furniture; 90,000 sets of fishing gear; 16,000 pairs of shoes, and thousands of kilos of frozen strawberries have been shipped to the United States in the past year. Each of these means opportunity for Bosnian men and women to settle into jobs, return to the farm, and build a future for the country that has suffered so much.
- We are now building on this foundation, and we very much hope that the passing of the “Southeast Europe Trade Preference Act” will provide increased opportunities for trade between Southeast Europe and the United States.

This piece of legislation will provide still greater market access for the countries in the region which have suffered the greatest economic burden from refugee relocation and the other aspects of the Kosovo crisis, offering increased export opportunities and incentives for investment in the region. Specifically, this will mean expanded duty-free coverage to products not previously covered under our Generalized System of Preferences program. These products include certain iron and steel products, certain agricultural products, footwear, glassware, ceramics, automobiles, bicycles, and clocks and watches.

Some of these are products in which this region has a comparative advantage, and will therefore be valuable as a foundation for longer term trade relationships.

### STATUS OF WTO ACCESSIONS

Equally important, the United States and the Hungarian Government sought to hold this conference because we believe, as you have heard from Minister Martonyi, that membership and full participation in the WTO are absolutely essential to the region’s future economic development.

The WTO principles – commitments to open markets in goods, services and agriculture; transparency; and the rule of law – help all its members promote long-term growth and technological progress. They are also, as many leaders in Central and Eastern Europe have noted, principles essential to successful reform in transition economies.

This is clear in the experience of Hungary and Romania over the years, as the two countries here which have been members of the trading system for the longest period of time. It

has been shown true again and more recently with the entry of Slovenia and Bulgaria. And we now hope to complete our work, as rapidly as possible, to bring the other countries participating here into the WTO.

I would say that this process is coming along reasonably well. The accessions of Albania and Croatia are nearly complete, and the accession of Moldova has advanced as well, although we are extremely concerned that Europe has pressured these countries to restrict market access, contrary to the spirit and purpose of the WTO and WTO agreements. We are also beginning to work with Bosnia and Herzegovina and Macedonia on their WTO accessions and we hope to intensify that process.

## FUTURE WTO AGENDA

When these accessions are complete, the trading system will offer each country here a broad range of opportunities. I would like to point out three particular areas in this regard:

Technological progress: The WTO's agreements on intellectual property, services, telecommunications, and information technology offer a comprehensive set of policies to spur local innovation and the development of creative industries, and also to attract high-skill, high-wage foreign investment.

Likewise, the WTO's now widely-accepted principle of duty-free cyberspace promotes the unimpeded flow of trade in this critical area.

I would like to cite in particular in this area for commendation Bulgaria's recent progress on intellectual property rights protection, particularly in combating illegal optical media piracy, and I know that we will see Bulgaria reap the rewards of these actions through increased investment. We also would like to applaud the commitments by both Albania and Croatia in the accession process to participate in the WTO's agreements on information technology, basic telecommunications and financial services.

Opportunity for Farmers: The WTO agreements on agriculture and on sanitary and phytosanitary measures are especially important for developing countries. These open markets to products in which Southeast Europe has a strong comparative advantage, and also help countries develop modern policies to ensure food safety and protect animal and plant health.

Dispute Settlement: Finally, let me mention the area of Dispute Settlement which the Minister discussed so well. One, because it embodies the rule of law, and second, because it puts every WTO member on the same footing: each of us has promised to live by the same rules, and each of us is responsible to keep our promises. I would like to agree generally with the comments of Minister Maratonyi. The WTO can give small economies the means to exercise their rights through alliances, extensive participation, dispute settlement, and other means. Hungary is certainly a model example of effective participation in the WTO to advance its interests .

## FUTURE AGENDA

And just as important, as WTO members each of us will be full partners in the development of the trading system and we very much have to look forward to the future. It is really our responsibility to move the system forward. Last February, the WTO agreed to open a new set of negotiations that will further open markets and create new opportunities for agriculture and services providers. These have especially important implications for the countries of Southeast Europe, helping to create direct new opportunities for farmers, and, particularly in the services area, to spur economic efficiency and technological progress through opening services markets.

The United States is now consulting with other WTO members to broaden these talks into a formal new Round, that would cover additional topics such as industrial goods, trade facilitation, electronic commerce, enhanced market access for the least developed and perhaps other subject areas as well. The United States has committed to a new Round of negotiations, but it will require flexibility on the part of all WTO Members to make it a reality.

## CONCLUSION

As we look ahead from this conference, we must admit frankly that we have a difficult road before us. The challenges we all face are complex; and success in them will require creative thinking and a sense of shared responsibility from all of us. But we should begin the work with a sense of optimism, and let me tell you why I say that.

Some people look back at the history of the region and draw pessimistic lessons from it. Our view in the United States is just the opposite. We look back on a decade in which every country represented at this conference has confronted massive changes and challenges:

- The collapse of dictatorship; the consolidation of economic reform; and the process of democratization.
- The breakup of Yugoslavia, followed by conflict and economic hardship in the region.
- And of course the continuing disruption of regional trade resulting from the violence in Kosovo and the isolation of Serbia as it remains under non-democratic rule.

And yet, in the face of these challenges, each country here has also taken extraordinary steps.

Each Minister here today is the representative of a fairly and openly elected government. Each country has made progress on economic reform. Each nation has earned the right to hope that this new decade will be one in which dictators, poverty and violence fade forever into the past.

In this the United States will be with you every step of the way. And I am very proud to be here as the work continues; and I nowvery much look forward to your questions, your ideas and your advice.

Thank you very much.